



**MONTGOMERY COUNTY** MARYLAND  
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# **MONTGOMERY COUNTY GOVERNMENT**

## **Post-Employment Benefits Other than Pension Actuarial Valuation**

**Actuarial Valuation  
as of July 1, 2008**

**January 21, 2009**



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January 21, 2009

Montgomery County  
100 Monroe St  
Rockville, MD 20850

This report presents the July 1, 2008 Actuarial Valuation results for the **Montgomery County Government and its Participating Agencies (the County)** Post-Employment Benefit (Other than Pension) Plans. The purposes of this report are to:

- (1) Determine the Plan's July 1, 2008 obligations;
- (2) Determine the County's 2008/09 Fiscal Year accrual for the *Governmental Accounting Standards Board (GASB) Standard Statement 45*;
- (3) Determine the County's additional contributions for the 2009/10 Fiscal Year (Year 3 of an 8-year phase-in to Full Funding); and
- (4) Provide information that may be helpful in future planning for the Post-Employment Benefit Plans.

A summary of the major results is shown in the Executive Summary, while the Principal Valuation Results Section provides more detail.

The Accounting Information Section summarizes GASB *Other Post-Employment Benefit (OPEB)* accounting treatment including the 2008/09 accrual, projected 2009/10 accrual and projected June 30, 2009 and June 30, 2010 reserves.

This report's costs and liabilities are based upon the data and plan provisions provided by the County, as summarized in the Demographic Information and Plan Provisions Sections, respectively, and the funding method and actuarial assumptions outlined in the Methods and Assumptions Section of this report. This report presents our best estimate of the costs of the Post-Employment Benefit Plans in accordance with accepted actuarial principles and our understanding of GASB Statement 45.



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## *Actuarial Certification*

Aon Consulting, Inc., a firm of independent actuarial consultants, was retained by Montgomery County Government (the County) to prepare this information. Chet Andrzejewski, Catherine M. Furr and Merson R. Bartlett are the principal authors of this report and are responsible for its content. We are Members of the American Academy of Actuaries, and meet the Academy's education and experience requirements for preparing this report.

The valuation is based on participant data and plan provisions as of July 1, 2008, provided by the County, and on claims and enrollment information received from the County's health plan vendors. We have accepted the data without audit and have relied upon the sources for the accuracy of the data; however, we did review the information for reasonableness. On the basis of our review of the data, we believe that the information is sufficiently complete and reliable, and that it is appropriate for the purposes intended.

To the best of our knowledge, this report is complete and accurate and conforms to generally accepted actuarial principles and methodology.

This report is intended for the sole use of the addressee. It is intended only to supply sufficient information for the County to comply with the stated purposes of the report, and may not be appropriate for other business purposes. Reliance on information contained in the report by anyone for other than the intended purposes puts the relying entity at risk of being misled because of confusion or failure to understand applicable assumptions, methodologies, or limitations of the report's conclusions.

Respectfully submitted,

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## ***Executive Summary***

**Montgomery County Government (the County)** provides healthcare, prescription drug and life insurance benefits to retirees and their dependents. The County pays a portion of the cost for retirees, disabled retirees, spouses and dependents. All full time active employees who retire under a normal, early, disability or discontinued service retirement are eligible for benefits.

Information on Plan Provisions and participation was provided by the County. Where information provided was incomplete, we have made assumptions. Please see the Methods and Assumptions Section for a full list of the assumptions used.

We have utilized the Phased-In approach to funding. The County has adopted a policy to phase-in to fully funding the Annual Required Contributions (ARC) over a period of 8 years. The fiscal year ending on June 30, 2008 was the first year of the phase-in.

The discount rate under this phased-in funding approach is equal to the full-funding discount rate, which is 8%. This is based on the argument that, if a written policy is adopted by a Plan Sponsor to phase-in full funding of the ARC over a period of years, then it is reasonable to utilize a discount rate based on the weighting of the present value of benefits using applicable discount rates throughout the phase-in period.

Since the majority of future benefits become payable after the phase-in period, the majority of liabilities are based on the discount rate after fully funding the ARC is in place.



## Executive Summary (continued)

The following tables summarize the valuation results. These results have been calculated based upon assumptions as to current claim cost, projected increases in health care costs, morbidity, mortality, disability, turnover, and interest discount.

This table identifies the value of benefits at July 1, 2008 and GASB 45 OPEB accrual and budgeted additional contributions for funding purposes for the 2008/09 Fiscal Year, reflecting the Unfunded Liability (UAAL) amortized as a level percentage of pay over a 30-year period:

| RESULTS AS OF JULY 1, 2008 (2008/09 Fiscal Year)             |                |
|--|----------------|
|  | (\$ thousands) |
| Present Value of all Projected Benefits (PVPB)               | 1,457,883      |
| Actuarial Accrued Liability (AAL)                            | 1,076,582      |
| Assets   | <u>13,710</u>  |
| Unfunded AAL   | 1,062,872      |
| Annual Required Contribution (ARC)                           |                |
| - Administrative Expenses                                    | 150            |
| - Amortization of Unfunded AAL                               | 58,495         |
| - Normal Cost  | <u>43,125</u>  |
| - Total ARC  | 101,770        |
| Adjustment to ARC  | <u>1,330</u>   |
| Annual OPEB Cost (AOC)                                       | 103,100        |
| 2008/09 Expected Benefit Payments <sup>1</sup>               | 34,012         |
| 2008/09 Expected Implicit Subsidy                            | 8,883          |
| 2008/09 Expected Medicare Part D Subsidy                     | 1,589          |
| 2008/09 Total Budgeted Additional Contributions <sup>2</sup> | <u>19,700</u>  |
| Actual FY2008 Net OPEB Obligation (NOO)                      | 53,273         |
| Expected FY2009 Net OPEB Obligation (NOO)                    | 93,778         |

<sup>1</sup> Based on premium equivalent rates developed for the County's Health Benefit Plans.

<sup>2</sup> Total Budgeted Additional Contributions for the 2008/09 Fiscal Year were determined based on the results of the July 1, 2007 Valuation projected to the 2008/09 Fiscal Year, and represents contributions for the 2nd year of an 8-year phase in to fully funding the ARC.



## Executive Summary (continued)

In the July 1, 2007 valuation report (dated February 22, 2008), the Fiscal Year 2008/09 Actuarial Accrued Liability (AAL) and Annual Required Contributions (ARC) were calculated as \$1,175,749,000 and \$111,677,000 respectively. These values were calculated based on a projection of census and claims as of July 1, 2007, and are higher than the AAL and ARC calculated for the same period using actual July 1, 2008 census and claims data, as shown on the previous page. That is, the updated FY2008/09 values are lower than expected. The differences between the values and the reasons for the differences are as follows:

| RESULTS AS OF JULY 1, 2008 (2008/09 Fiscal Year)<br>(\$ thousands)     |                  |                |
|--|------------------|----------------|
|  | AAL              | ARC            |
| FY2008/09 Based on Roll Forward from 07/01/2007 Valuation <sup>1</sup> | 1,175,749        | 111,677        |
| FY2008/09 Based on Valuation as of 07/01/2008 <sup>2</sup>             | <u>1,076,582</u> | <u>101,770</u> |
| Difference   | (99,167)         | (9,907)        |
| Difference is due to:  |                  |                |
| 07/01/2008 Valuation Claims lower than Projected <sup>3</sup>          | (76,078)         | (5,912)        |
| Change in County subsidy for Caremark High-Option Prescription Plan    | (33,373)         | (3,812)        |
| Other Actuarial (Gains)/Losses <sup>4,5</sup>                          | <u>10,284</u>    | <u>(183)</u>   |
|  | (99,167)         | (9,907)        |

<sup>1</sup> That is, a valuation as of July 1, 2008, but based on census and claims as of July 1, 2007.

<sup>2</sup> That is, a valuation based on census and claims as of July 1, 2008.

<sup>3</sup> The actual claims used for the 07/01/2008 Valuation were lower than projected, based on the claims used in the 07/01/2007 Valuation projected one year using the healthcare cost trend rates from that (07/01/2007) Valuation.

<sup>4</sup> This is less than 1.0% of the AAL and less than 0.2% of the ARC; reflects the (decrease)/increase (i.e., (gain)/loss) in the AAL and ARC from one valuation to another, due to deaths, retirements, terminations, headcounts, participation levels, etc, being different from what was expected, based on the actuarial assumptions from the 07/01/2007 Valuation applied to the 07/01/2007 population.

<sup>5</sup> The 07/01/2008 AAL is higher than expected (a loss), while the 07/01/2008 ARC is lower than expected (a gain). The reason that one is a loss and the other a gain is as follows: The difference between the actual and the expected ARC equals (1) the difference between the actual and the expected Normal Cost plus (2) the difference between the actual and the expected amortization of the AAL. The second portion is positive because the AAL was higher than expected for the reasons noted in Footnote 4. However, the first portion is a larger, although negative, amount (that is, our projected Normal Cost based on the 07/01/2007 census was higher than the actual Normal Cost based on the 07/01/2008 census) so that the net difference between the actual and the expected ARC is negative.



## Executive Summary (continued)

This table identifies the value of benefits projected to July 1, 2009 (the 2009/10 Fiscal Year), and the expected GASB 45 OPEB accrual and additional contributions for the 2009/10 Fiscal Year (based on the July 1, 2008 results projected to the 2009/10 FY), reflecting the Unfunded Liability (UAAL) amortized as a level percentage of pay over a 30-year period:

| PROJECTED RESULTS AS OF JULY 1, 2009 (2009/10 Fiscal Year)   |                |
|--|----------------|
|  | (\$ thousands) |
| Present Value of all Projected Benefits (PVPB)               | 1,529,902      |
| Actuarial Accrued Liability (AAL)                            | 1,161,222      |
| Assets   | <u>35,279</u>  |
| Unfunded AAL   | 1,125,943      |
| Annual Required Contribution (ARC)                           |                |
| - Administrative Expenses                                    | 150            |
| - Amortization of Unfunded AAL                               | 61,966         |
| - Normal Cost  | <u>45,281</u>  |
| - Total ARC  | 107,397        |
| Adjustment to ARC  | <u>2,341</u>   |
| Annual OPEB Cost (AOC)                                       | 109,738        |
| 2009/10 Estimated Benefit Payments <sup>1</sup>              | 37,073         |
| 2009/10 Implicit Subsidy                                     | 11,780         |
| 2009/10 Est. Medicare Part D Subsidy                         | 1,891          |
| 2009/10 Total Expected Additional Contributions <sup>2</sup> | <u>21,954</u>  |
| Expected FY2009 Net OPEB Obligation                          | 93,778         |
| Expected FY2010 Net OPEB Obligation (NOO)                    | 132,709        |

The balance of this report provides greater details for the above results.

<sup>1</sup> Based on premium equivalent rates developed for the County's Health Benefit Plans.

<sup>2</sup> Total Expected Additional Contributions calculated based on the July 1, 2008 Valuation projected to the 2009/10 Fiscal Year, and represents the contributions for the 3rd year of an 8-year phase-in to fully funding the ARC.





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## ***Principal Valuation Results***

This section presents detailed valuation results for the County's retiree Post-Employment Benefits Programs.

- The Present Value of all Projected Benefits (PVPB) is the total present value of all expected future benefits, based on certain actuarial assumptions. The PVPB is a measure of total liability or obligation. Essentially, the PVPB is the value (on the valuation date) of the benefits promised to current and future retirees.
- The Actuarial Accrued Liability (AAL) is the liability or obligation for benefits earned through the valuation date, based on certain actuarial methods and assumptions.
- Normal Cost is the value of benefits expected to be earned during the year, again based on certain actuarial methods and assumptions.

This report develops the AAL and Normal Cost using the Projected Unit Credit Actuarial Cost Method.

The following highlights the County's recognition of key items:

- The July 1, 2008 assets<sup>1</sup> are \$13,710,000 (the asset value was provided to Aon by the County's Department of Finance).
- The County has decided to phase-in to fully funding the Annual Required Contributions (ARC) over a period of 8 years. The Fiscal Year ending June 30, 2009 (FY2009) will be the second year of this phase-in period.
- Budgeted contributions to the OPEB Trust are \$19,700,000 for FY2009.
- The retiree drug subsidy received from Medicare will be used to satisfy part of the above contributions.
- Expected 2008/09 benefit payments are \$34,012,000.

The tables on the following pages show results by future retirees (actives) and current retirees for the 2008/09 Fiscal Year, and projected results for the 2009/10 Fiscal Year.

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<sup>1</sup> Under the GASB Standard, only funds set aside exclusively to pay Plan benefits are considered Plan assets.



## Principal Valuation Results (continued)

| RESULTS AS OF JULY 1, 2008 (2008/09 FISCAL YEAR)      |                                |                               |                                 |                                      |                       |                          |                                       |
|---|--------------------------------|-------------------------------|---------------------------------|--------------------------------------|-----------------------|--------------------------|---------------------------------------|
| \$ thousands  |                                |                               |                                 |                                      |                       |                          |                                       |
|   | Assessment<br>& Taxation<br>\$ | Circuit<br>Court Judges<br>\$ | County<br>(Public Safety)<br>\$ | County (Non-<br>Public Safety)<br>\$ | Credit<br>Union<br>\$ | Dist 100%<br>to St<br>\$ | Dist Ee-Ee,<br>Er- Ins.<br>Fund<br>\$ |
| <b>Present Value of Projected<br/>Benefits (PVPB)</b> |                                |                               |                                 |                                      |                       |                          |                                       |
| Future Retirees (Actives)                             | 235                            | 1,084                         | 379,112                         | 494,207                              | 2,402                 | 0                        | 390                                   |
| Current Retirees                                      | 2,508                          | 532                           | 230,735                         | 301,134                              | 0                     | 760                      | 76                                    |
| <b>Total PVPB</b>                                     | <b>2,743</b>                   | <b>1,616</b>                  | <b>609,847</b>                  | <b>795,341</b>                       | <b>2,402</b>          | <b>760</b>               | <b>466</b>                            |
| <b>Actuarial Accrued Liability<br/>(AAL)</b>          |                                |                               |                                 |                                      |                       |                          |                                       |
| Future Retirees (Actives)                             | 134                            | 619                           | 226,881                         | 282,109                              | 1,371                 | 0                        | 222                                   |
| Current Retirees                                      | 2,508                          | 532                           | 230,735                         | 301,134                              | 0                     | 760                      | 76                                    |
| <b>Total AAL</b>                                      | <b>2,642</b>                   | <b>1,151</b>                  | <b>457,616</b>                  | <b>583,243</b>                       | <b>1,371</b>          | <b>760</b>               | <b>298</b>                            |
| <b>Assets at July 1, 2008 <sup>1</sup></b>            | <b>5</b>                       | <b>12</b>                     | <b>5,681</b>                    | <b>7,369</b>                         | <b>0</b>              | <b>5</b>                 | <b>1</b>                              |
| <b>Unfunded AAL at July 1, 2008</b>                   | <b>2,637</b>                   | <b>1,139</b>                  | <b>451,935</b>                  | <b>575,874</b>                       | <b>1,371</b>          | <b>755</b>               | <b>297</b>                            |
| <b>Normal Cost (End of Year)</b>                      | <b>11</b>                      | <b>52</b>                     | <b>17,423</b>                   | <b>23,796</b>                        | <b>116</b>            | <b>0</b>                 | <b>19</b>                             |

<sup>1</sup> Under the GASB Standard, only funds set aside exclusively to pay Plan benefits are considered Plan assets.



## Principal Valuation Results (continued)

| RESULTS AS OF JULY 1, 2008 (2008/09 FISCAL YEAR)  |                                 |  |                            |                          |   |                                     |                  |
|---|---------------------------------|--|----------------------------|--------------------------|---|-------------------------------------|------------------|
| \$ thousands                                      |                                 |  |                            |                          |   |                                     |                  |
|   | Dist St -<br>Er, Cty - Ee<br>\$ | Housing<br>Opportunities<br>Comm<br>\$ | Revenue<br>Authority<br>\$ | Strathmore<br>Hall<br>\$ | Village of<br>Friendship<br>Heights<br>\$ | Washington<br>Suburban<br>T C<br>\$ | Total<br>\$      |
| <b>Present Value of Projected Benefits (PVPB)</b> |                                 |  |                            |                          |   |                                     |                  |
| Future Retirees (Actives)                         | 0                               | 27,216                                 | 4,809                      | 2,711                    | 619                                       | 80                                  | 912,865          |
| Current Retirees                                  | 304                             | 6,765                                  | 1,672                      | 76                       | 0   | 456                                 | 545,018          |
| <b>TOTAL PVPB</b>                                 | <b>304</b>                      | <b>33,981</b>                          | <b>6,481</b>               | <b>2,787</b>             | <b>619</b>                                | <b>536</b>                          | <b>1,457,883</b> |
| <b>Actuarial Accrued Liability (AAL)</b>          |                                 |  |                            |                          |   |                                     |                  |
| Future Retirees (Actives)                         | 0                               | 15,536                                 | 2,745                      | 1,548                    | 353                                       | 46                                  | 531,564          |
| Current Retirees                                  | 304                             | 6,765                                  | 1,672                      | 76                       | 0   | 456                                 | 545,018          |
| <b>TOTAL AAL</b>                                  | <b>304</b>                      | <b>22,301</b>                          | <b>4,417</b>               | <b>1,624</b>             | <b>353</b>                                | <b>502</b>                          | <b>1,076,582</b> |
| <b>Assets at July 1, 2008 <sup>1</sup></b>        | 0                               | 516                                    | 67                         | 49                       | 0   | 5                                   | 13,710           |
| <b>Unfunded AAL at July 1, 2008</b>               | 304                             | 21,785                                 | 4,350                      | 1,575                    | 353                                       | 497                                 | 1,062,872        |
| <b>Normal Cost (End of Year)</b>                  | 0                               | 1,311                                  | 232                        | 131                      | 30  | 4                                   | 43,125           |

<sup>1</sup> Under the GASB Standard, only funds set aside exclusively to pay Plan benefits are considered Plan assets.



## Principal Valuation Results (continued)

| PROJECTED RESULTS AS OF JULY 1, 2009 (2009/10 FISCAL YEAR)<br>(\$ thousands) |                                |                               |                                 |  |                       |                          |  |
|--|--------------------------------|-------------------------------|---------------------------------|--|-----------------------|--------------------------|--|
|  | Assessment<br>& Taxation<br>\$ | Circuit<br>Court Judges<br>\$ | County<br>(Public Safety)<br>\$ | County<br>(Non-Public<br>Safety)<br>\$ | Credit<br>Union<br>\$ | Dist 100%<br>to St<br>\$ | Dist Ee-<br>Ee, Er-<br>Ins. Fund<br>\$ |
| <b>Present Value of Projected Benefits (PVPB)</b>                            |                                |                               |                                 |  |                       |                          |  |
| Future Retirees (Actives)  | 252                            | 1,165                         | 407,410                         | 531,145                                | 2,581                 | 0                        | 419                                    |
| Current Retirees   | 2,512                          | 533                           | 234,156                         | 301,524                                | 0                     | 761                      | 76                                     |
| <b>TOTAL PVPB</b>  | <b>2,764</b>                   | <b>1,698</b>                  | <b>641,566</b>                  | <b>832,669</b>                         | <b>2,581</b>          | <b>761</b>               | <b>495</b>                             |
| <b>Actuarial Accrued Liability (AAL)</b>                                     |                                |                               |                                 |  |                       |                          |  |
| Future Retirees (Actives)  | 155                            | 714                           | 260,424                         | 325,876                                | 1,584                 | 0                        | 257                                    |
| Current Retirees   | 2,512                          | 533                           | 234,156                         | 301,524                                | 0                     | 761                      | 76                                     |
| <b>TOTAL AAL</b>   | <b>2,667</b>                   | <b>1,247</b>                  | <b>494,580</b>                  | <b>627,400</b>                         | <b>1,584</b>          | <b>761</b>               | <b>333</b>                             |
| <b>Assets at July 1, 2009 <sup>1</sup></b>                                   | <b>5</b>                       | <b>44</b>                     | <b>15,167</b>                   | <b>18,493</b>                          | <b>47</b>             | <b>5</b>                 | <b>11</b>                              |
| <b>Unfunded AAL at July 1, 2009</b>  | <b>2,662</b>                   | <b>1,203</b>                  | <b>479,413</b>                  | <b>608,907</b>                         | <b>1,537</b>          | <b>756</b>               | <b>322</b>                             |
| <b>Normal Cost (End of Year)</b>   | <b>12</b>                      | <b>55</b>                     | <b>18,294</b>                   | <b>24,988</b>                          | <b>121</b>            | <b>0</b>                 | <b>20</b>                              |

<sup>1</sup> Under the GASB Standard, only funds set aside exclusively to pay Plan benefits are considered Plan assets.



## Principal Valuation Results (continued)

| PROJECTED RESULTS AS OF JULY 1, 2009 (2009/10 FISCAL YEAR)<br>(\$ thousands) |                                |  |                            |                          |   |                                     |                  |
|--|--------------------------------|--|----------------------------|--------------------------|---|-------------------------------------|------------------|
|  | Dist St -<br>Er, Cty, Ee<br>\$ | Housing<br>Opportunities<br>Comm<br>\$ | Revenue<br>Authority<br>\$ | Strathmore<br>Hall<br>\$ | Village of<br>Friendship<br>Heights<br>\$ | Washington<br>Suburban<br>T C<br>\$ | Total<br>\$      |
| <b>Present Value of Projected Benefits (PVPB)</b>                            |                                |  |                            |                          |   |                                     |                  |
| Future Retirees (Actives)  | 0                              | 29,250                                 | 5,169                      | 2,914                    | 665                                       | 86                                  | 981,056          |
| Current Retirees   | 304                            | 6,773                                  | 1,674                      | 76                       | 0   | 457                                 | 548,846          |
| <b>TOTAL PVPB</b>  | <b>304</b>                     | <b>36,023</b>                          | <b>6,843</b>               | <b>2,990</b>             | <b>665</b>                                | <b>543</b>                          | <b>1,529,902</b> |
| <b>Actuarial Accrued Liability (AAL)</b>                                     |                                |  |                            |                          |   |                                     |                  |
| Future Retirees (Actives)  | 0                              | 17,946                                 | 3,171                      | 1,788                    | 408                                       | 53                                  | 612,376          |
| Current Retirees   | 304                            | 6,773                                  | 1,674                      | 76                       | 0   | 457                                 | 548,846          |
| <b>TOTAL AAL</b>   | <b>304</b>                     | <b>24,719</b>                          | <b>4,845</b>               | <b>1,864</b>             | <b>408</b>                                | <b>510</b>                          | <b>1,161,222</b> |
| <b>Assets at July 1, 2009 <sup>1</sup></b>                                   | 0                              | 1,184                                  | 181                        | 114                      | 15  | 13                                  | 35,279           |
| <b>Unfunded AAL at July 1 2009</b>   | 304                            | 23,535                                 | 4,664                      | 1,750                    | 393                                       | 497                                 | 1,125,943        |
| <b>Normal Cost (End of Year)</b>   | 0                              | 1,376                                  | 243                        | 137                      | 31  | 4                                   | 45,281           |

<sup>1</sup> Under the GASB Standard, only funds set aside exclusively to pay Plan benefits are considered Plan assets.



## Accounting Information

The GASB OPEB Accounting Standard was first adopted by the County for the fiscal year ending June 30, 2008. The following tables show the Annual Required Contribution (ARC), Annual OPEB Cost (AOC) and Net OPEB Obligation (NOO) for the fiscal years ending June 30, 2009 and June 30, 2010. The NOO for the 2008/09 and 2009/10 Fiscal Years and the ARC and AOC for the 2009/10 Fiscal Year are projections, using the results of the July 1, 2008 valuation as a starting point.

### Annual Required Contribution (ARC)

The Standard sets the method for determining the County's Post-Retirement Benefits (other than pensions) accrual to include both the value of benefits earned during the year (Normal Cost) and an amortization of the Unfunded Actuarial Accrued Liability (AAL). Accordingly, the following table shows the County's 2008/09 accrual based on an open-period 30-year amortization of the Unfunded AAL as a level percentage of pay.

| ARC FOR FISCAL YEAR ENDING JUNE 30, 2009<br>\$ thousands |                 |                            |                |                              |                  |
|--|-----------------|----------------------------|----------------|------------------------------|------------------|
| Funding Approach   | Discount Rate % | Administrative Expenses \$ | Normal Cost \$ | Unfunded AAL Amortization \$ | Total Accrual \$ |
| Phased-In Funding - 8 Years                              | 8.00            | 150                        | 43,125         | 58,495                       | 101,770          |

The following table shows the County's projected 2009/10 accrual based on an open-period 30-year amortization of the Unfunded AAL as a level percentage of pay.

| ARC PROJECTED TO FISCAL YEAR ENDING JUNE 30, 2010<br>\$ thousands |                 |                            |                |                              |                  |
|---|-----------------|----------------------------|----------------|------------------------------|------------------|
| Funding Approach  | Discount Rate % | Administrative Expenses \$ | Normal Cost \$ | Unfunded AAL Amortization \$ | Total Accrual \$ |
| Phased-In Funding - 8 Years                                       | 8.00            | 150                        | 45,281         | 61,966                       | 107,397          |



## Accounting Information (continued)

### Annual OPEB Cost (AOC)

The Annual OPEB Cost (AOC) is the accounting expense, and is made up of the ARC, plus an adjustment to the ARC, consisting of interest on the Net OPEB Obligation (NOO) at the beginning of the period, less an amortization of the NOO.

| AOC FOR FISCAL YEAR ENDING JUNE 30, 2009<br>\$ thousands |                 |         |                      |              |
|--|-----------------|---------|----------------------|--------------|
| Funding Approach   | Discount Rate % | ARC \$  | Adjustment to ARC \$ | Total AOC \$ |
| Phased-In Funding – 8 Years                              | 8.00            | 101,770 | 1,330                | 103,100      |

| AOC PROJECTED TO FISCAL YEAR ENDING JUNE 30, 2010<br>\$ thousands |                 |         |                      |              |
|---|-----------------|---------|----------------------|--------------|
| Funding Approach  | Discount Rate % | ARC \$  | Adjustment to ARC \$ | Total AOC \$ |
| Phased-In Funding – 8 Years                                       | 8.00            | 107,397 | 2,341                | 109,738      |

### Net OPEB Obligation (NOO) Summary:

The Net OPEB Obligation (NOO) is the cumulative difference between the AOC and the County's total contributions.

| \$ thousands               |                 |               |  |   |
|----------------------------|-----------------|---------------|--|---|
| Fiscal Year Ending         | Discount Rate % | AOC \$<br>(a) | Total Employer Contributions \$<br>(b) | NOO \$<br>Prior Year NOO +<br>(a) – (b) |
| June 30, 2008 <sup>1</sup> | 8.00            | 102,320       | 49,047                                 | 53,273                                  |
| June 30, 2009 Estimate     | 8.00            | 103,100       | 62,595                                 | 93,778                                  |
| June 30, 2010 (Projection) | 8.00            | 109,738       | 70,807                                 | 132,709                                 |

<sup>1</sup> Per the County's Financial Statements.



## Accounting Information (continued)

### Required Supplementary Information

Below is the Projected Schedule of Funding Progress:

| FISCAL YEAR ENDING JUNE 30, 2009<br>(\$ thousands) |                 |                                     |   |                                     |                             |                           |  |
|--|-----------------|-------------------------------------|---|-------------------------------------|-----------------------------|---------------------------|--|
| Funding Approach                                   | Discount Rate % | Actuarial Value of Assets \$<br>(a) | Actuarial Accrued Liability (AAL) - Projected Unit Credit \$<br>(b) | Unfunded AAL (UAAL) \$<br>(b) - (a) | Funded Ratio %<br>(a) / (b) | Covered Payroll \$<br>(c) | UAAL as a Percentage of Covered Payroll %<br>[(b) - (a)] / (c) |
| Phased-In Funding - 8 Years                        | 8.00            | 13,710                              | 1,076,582   | 1,062,872                           | 1.3%                        | 667,400                   | 159.3  |





## Participating Agency Contributions

Summary of 2008/09 Fiscal Year Budgeted Contributions and Calculation of 2009/10 Fiscal Year Additional Contributions by Participating Agency:

|   | \$ thousands                   |                               |                                 |                                      |                       |                          |                                    |
|---|--------------------------------|-------------------------------|---------------------------------|--------------------------------------|-----------------------|--------------------------|------------------------------------|
|   | Assessment<br>& Taxation<br>\$ | Circuit<br>Court Judges<br>\$ | County<br>(Public Safety)<br>\$ | County (Non-<br>Public Safety)<br>\$ | Credit<br>Union<br>\$ | Dist 100%<br>to St<br>\$ | Dist Ee-Ee,<br>Er- Ins. Fund<br>\$ |
| <b>Annual Required Contributions (ARC)</b>                |                                |                               |                                 |                                      |                       |                          |                                    |
| Administrative Expenses                                   | 0.3                            | 0.2                           | 63.9                            | 81.1                                 | 0.2                   | 0.1                      | 0.0                                |
| Amortization of Unfunded AAL                              | 146.5                          | 66.2                          | 26,384.5                        | 33,511.0                             | 84.6                  | 41.6                     | 17.7                               |
| Normal Cost   | <u>12.0</u>                    | <u>55.0</u>                   | <u>18,294.0</u>                 | <u>24,988.0</u>                      | <u>121.0</u>          | <u>0.0</u>               | <u>20.0</u>                        |
| Total ARC   | 158.8                          | 121.4                         | 44,742.4                        | 58,580.1                             | 205.8                 | 41.7                     | 37.7                               |
| FY2010 Estimated Benefit Payments <sup>1</sup>            | 169.7                          | 36.0                          | 15,816.6                        | 20,367.1                             | 0.0                   | 51.4                     | 5.1                                |
| FY2010 Estimated Implicit Subsidy                         | 53.9                           | 11.4                          | 5,025.7                         | 6,471.9                              | 0.0                   | 16.3                     | 1.6                                |
| FY2010 Estimated Medicare D Subsidy                       | 0.0                            | 1.8                           | 812.8                           | 1,046.5                              | 0.0                   | 0.0                      | 0.3                                |
| <b>FY2010 Total Additional Contributions <sup>2</sup></b> | <b>0.0</b>                     | <b>27.7</b>                   | <b>8,945.7</b>                  | <b>11,880.5</b>                      | <b>77.0</b>           | <b>0.0</b>               | <b>11.6</b>                        |
| <b>FY09 Budgeted Additional Contributions</b>             | <b>0.0</b>                     | <b>29.8</b>                   | <b>8,690.7</b>                  | <b>10,135.8</b>                      | <b>45.2</b>           | <b>0.0</b>               | <b>9.4</b>                         |

<sup>1</sup> Based on premium equivalent rates developed for the County's health benefit plans.

<sup>2</sup> FY2010 Total Additional Contributions (year 3 of an 8-year phase-in to fully funding the ARC) were calculated as 3/8 times [ARC – Estimated Benefit Payments – Estimated Implicit Subsidy], and were set to \$0 for those agencies that would have had a negative contribution. The contributions for the remaining agencies were proportionally reduced so that, in total, the calculated additional contribution is correct.



## Participating Agency Contributions (continued)

| \$ thousands  |                                 |  |                            |                          |   |                                     |               |
|---|---------------------------------|--|----------------------------|--------------------------|---|-------------------------------------|---------------|
|   | Dist St -<br>Er, Cty - Ee<br>\$ | Housing<br>Opportunities<br>Comm<br>\$ | Revenue<br>Authority<br>\$ | Strathmore<br>Hall<br>\$ | Village of<br>Friendship<br>Heights<br>\$ | Washington<br>Suburban<br>T C<br>\$ | Total<br>\$   |
| <b>Annual Required Contributions (ARC)</b>                |                                 |  |                            |                          |   |                                     |               |
| Administrative Expenses                                   | 0.0                             | 3.2                                    | 0.6                        | 0.2                      | 0.1                                       | 0.1                                 | 150           |
| Amortization of Unfunded AAL                              | 16.7                            | 1,295.2                                | 256.7                      | 96.3                     | 21.6                                      | 27.4                                | 61,966        |
| Normal Cost   | <u>0.0</u>                      | <u>1,376.0</u>                         | <u>243.0</u>               | <u>137.0</u>             | <u>31.0</u>                               | <u>4.0</u>                          | <u>45,281</u> |
| Total ARC   | 16.7                            | 2,674.4                                | 500.3                      | 233.5                    | 52.7                                      | 31.5                                | 107,397       |
| FY2010 Estimated Benefit Payments <sup>1</sup>            | 20.5                            | 457.5                                  | 113.1                      | 5.1                      | 0.0                                       | 30.9                                | 37,073        |
| FY2010 Estimated Implicit Subsidy                         | 6.5                             | 145.4                                  | 35.9                       | 1.6                      | 0.0                                       | 9.8                                 | 11,780        |
| FY2010 Estimated Medicare D Subsidy                       | 0.0                             | 23.5                                   | 5.8                        | 0.3                      | 0.0                                       | 0.0                                 | 1,891         |
| <b>FY2010 Total Additional Contributions <sup>2</sup></b> | <b>0.0</b>                      | <b>775.4</b>                           | <b>131.5</b>               | <b>84.9</b>              | <b>19.7</b>                               | <b>0.0</b>                          | <b>21,954</b> |
| <b>FY09 Budgeted Additional Contributions</b>             | <b>0.0</b>                      | <b>603.1</b>                           | <b>104.7</b>               | <b>59.0</b>              | <b>14.9</b>                               | <b>7.4</b>                          | <b>19,700</b> |

<sup>1</sup> Based on premium equivalent rates developed for the County's health benefit plans.

<sup>2</sup> FY2010 Total Additional Contributions (year 3 of an 8-year phase-in to fully funding the ARC) were calculated as 3/8 times [ARC – Estimated Benefit Payments – Estimated Implicit Subsidy], and were set to \$0 for those agencies that would have had a negative contribution. The contributions for the remaining agencies were proportionally reduced so that, in total, the calculated additional contribution is correct.



## ***Payout Projection***

Future annual payouts are based on the assumptions and contributions detailed in the Methods and Assumptions Section, including the trend rates, the claims costs, and the mortality, retirement and disability rates. The payouts below include expected payments to current retirees, current employees who retire by the dates shown, and their dependents.

That is, for current retirees and dependents, we start with the baseline costs on page 23 and adjust them for future years based on the trend assumptions on page 18. Then we multiply the costs by the number of retirees and dependents expected to be receiving benefits each year, based on the mortality rates. We then subtract retiree contributions per pages 24 and 25, adjusted for future years based on the trend assumptions.

For future retirees (current actives), we apply retirement and disability rates to determine when we expect they will retire, and then multiply the number of retirees by the baseline costs on page 23, adjusted for retiree contributions per pages 24 and 25, and trended to future years using the trend rates on page 18. The number of future retirees and dependents expected to continue receiving benefits each year will be determined by retiree mortality rates.

| Year Ending | (\$ thousands)<br>\$ |
|-------------|----------------------|
| 06/30/2009  | 42,895               |
| 06/30/2010  | 48,853               |
| 06/30/2011  | 54,770               |
| 06/30/2012  | 59,939               |
| 06/30/2013  | 65,035               |
| 06/30/2014  | 69,463               |
| 06/30/2015  | 74,473               |
| 06/30/2016  | 79,030               |
| 06/30/2017  | 83,170               |
| 06/30/2018  | 87,596               |



## Demographic Information

The following table summarizes active and retiree Demographic Information.

| Number of Employees       |                      |                              |                    |        |
|---------------------------|----------------------|------------------------------|--------------------|--------|
|                           | Actives <sup>1</sup> | Retirees<br>and<br>Survivors | Retiree<br>Spouses | Total  |
| Medical                   | 9,949                | 4,233                        | 3,257              | 17,439 |
| Prescription <sup>2</sup> | 9,949                | 2,939                        | 2,515              | 15,403 |
| Dental                    | 9,949                | 4,475                        | 3,463              | 17,887 |
| Life                      | 9,949                | 4,586                        | N/A                | 14,535 |

<sup>1</sup> We assumed that 88% of these active employees will have medical, prescription and dental coverage at retirement and that 100% will have life insurance coverage at retirement

<sup>2</sup> The counts for retiree members with prescription drugs do not reflect the retiree members in the Kaiser or CareFirst Indemnity plans. Prescription drugs are not a separate election for these members. There are 1,111 *retirees and survivors* and 521 *retiree spouses* in the Indemnity plans, and 189 *retirees and survivors* and 100 *retiree spouses* in the Kaiser plan, all with prescription drug coverage, but not included in the 2,939 or 2,515 counts above.



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## ***Methods and Assumptions***

|  |   |
|--|---|
| <b>Actuarial Method</b>                  | Projected Unit Credit Cost Method.  |
| <b>Normal Cost</b>                       | Determined for each active employee as the Actuarial Present Value of benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the Plan's benefit formula. This allocation is based on each individual's service between date of hire and date of exit.  |
| <b>Actuarial Accrued Liability (AAL)</b> | The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year. The attribution period is from the date of hire to the date of exit.  |
| <b>Discount Rate</b>                     | The discount rate is 8% based on phased-in funding over an 8-year period.   |
| <b>Salary Scale</b>                      | 4.25%.  |
| <b>Allocation of Costs to Entities</b>   | Allocations to County (Non-Public Safety) and participating agencies were based on headcounts in each entity. Aggregate liabilities and contributions were determined for this group, and were then allocated to each individual entity based on the ratio of the number of members in each entity, to the sum of members in the groups. Allocations were done separately for future retirees (actives) and current retirees. County (Public Safety) was valued separately. |



## Methods and Assumptions (continued)

### Medical, Prescription Drug and Dental Trends

| Fiscal Year Beginning in | ANNUAL RATE OF INCREASE<br>% |                    |         |      |                  |
|--------------------------|------------------------------|--------------------|---------|------|------------------|
|                          | Dental                       | Prescription Drugs | Medical |      | Indemnity (w/Rx) |
|                          |                              |                    | Pre-65  | 65 + |                  |
| 2008                     | 6.5                          | 10.0               | 10.0    | 8.5  | 11.0             |
| 2009                     | 6.0                          | 9.0                | 9.0     | 8.0  | 10.0             |
| 2010                     | 5.5                          | 8.0                | 8.0     | 7.5  | 9.0              |
| 2011                     | 5.0                          | 7.0                | 7.0     | 7.0  | 8.0              |
| 2012                     | 4.5                          | 6.5                | 6.5     | 6.5  | 7.0              |
| 2013                     | 4.5                          | 6.0                | 6.0     | 6.0  | 6.5              |
| 2014                     | 4.5                          | 5.5                | 5.5     | 5.5  | 6.0              |
| 2015                     | 4.5                          | 5.0                | 5.0     | 5.0  | 5.5              |
| 2016 & Later             | 4.5                          | 5.0                | 5.0     | 5.0  | 5.0              |

### Mortality

Pre-Retirement;  
Healthy Retirees  
and Beneficiaries

RP-2000 Mortality Table, projected 10 years, with separate tables for males and females.

Disabled Retirees

RP-2000 Mortality Table set forward 5 years, with separate tables for males and females.

### Turnover

Sample rates are shown below:

| ASSUMED ANNUAL TERMINATIONS<br>PER 1,000 MEMBERS                    |                                  |                             |
|---|----------------------------------|-----------------------------|
| Years of Service  | Non-Public Safety<br>(ERS & RSP) | Public Safety<br>(ERS& RSP) |
| 0 - 4   | 35                               | 80 - 29                     |
| 5 - 9   | 35                               | 22 - 14                     |
| 10 - 14   | 17                               | 13 - 6                      |
| 15 - 19   | 17 - 11                          | 5 - 3                       |
| 20 - 25   | 11 - 6                           | 2                           |
| 26+   | 6                                | 0                           |
| ERS = Employees' Retirement System<br>RSP = Retirement Savings Plan |                                  |                             |



## Methods and Assumptions (continued)

### Retirement

Sample rates are shown below:

#### Non-Public Safety (ERS)

| Age     | First Eligibility for Normal Retirement % | Ultimate Retirement Rate % |
|---------|---|----------------------------|
| 45 - 49 | 1   | 1                          |
| 50 - 54 | 5   | 5                          |
| 55 - 59 | 20  | 8                          |
| 60 - 64 | 15  | 15                         |
| 65 - 66 | 50  | 40                         |
| 67      | 75  | 40                         |
| 68 - 69 | 100                                       | 40                         |
| 70+     | 100                                       | 100                        |

#### Public Safety (ERS)

| Age      | Group G First Eligibility for Normal Retirement % | Public Safety Except Group G First Eligibility for Normal Retirement % | Ultimate Retirement Rate <sup>1</sup> % |
|----------|---|--|---|
| Under 45 | 30  | 3  | 3                                       |
| 46 - 49  | 30  | 20   | 10                                      |
| 50 - 51  | 30  | 30   | 15                                      |
| 52 - 54  | 30  | 30   | 30                                      |
| 55 - 59  | 75  | 75   | 75                                      |
| 60+      | 100   | 100  | 100                                     |

<sup>1</sup> Group G retirees are assumed to retire at a rate that is the larger of 20% and the rates shown above when they reach 25 years of service.



## Methods and Assumptions (continued)

### Retirement (continued)

Non-Public Safety &  
Public Safety (RSP)

| Years of Service | Assumed Annual Retirements % |
|------------------|------------------------------|
| 0 - 4            | 7                            |
| 5 - 9            | 4                            |
| 10 - 14          | 4                            |
| 15 - 19          | 4                            |
| 20 - 25          | 25                           |
| 26+              | 40                           |

### Disability

Sample rates are shown below:

| ANNUAL DISABILITIES<br>PER 1,000 MEMBERS AT SAMPLE AGES |                   |        |               |        |
|---|-------------------|--------|---------------|--------|
| Age   | Non-Public Safety |        | Public Safety |        |
|   | Male              | Female | Male          | Female |
| 20  | 1                 | 1      | 1             | 1      |
| 25  | 2                 | 1      | 3             | 3      |
| 30  | 2                 | 2      | 6             | 8      |
| 35  | 3                 | 3      | 8             | 12     |
| 40  | 3                 | 3      | 10            | 16     |
| 45  | 6                 | 3      | 19            | 22     |
| 50  | 7                 | 5      | 32            | 29     |
| 55  | 5                 | 6      | 39            | 31     |
| 60  | 9                 | 6      | 47            | 32     |
| 65  | 0                 | 0      | 0             | 0      |

Age Difference/  
% Married

Males are assumed to be 3 years older than females;  
60% of active members are assumed to be married at retirement.





## ***Methods and Assumptions (continued)***

### **Coverage**

We assumed that 88% of current active employees will be covered at retirement, and that they will elect the benefit plans in the same proportion as current retirees. For current retirees, we have valued only those who have current coverage elections, with the assumption that retirees without coverage will not elect coverage in the future.

### **Morbidity**

Expected claims are assumed to increase as participants age as follows:

#### Medical

| Age          | Annual Increase<br>% |
|--------------|----------------------|
| To 34        | 2.7                  |
| 35 - 39      | 5.4                  |
| 40 - 44      | 1.8                  |
| 45 - 49      | 4.3                  |
| 50 - 54      | 2.8                  |
| 55 - 59      | 2.6                  |
| 60 - 64      | 4.0                  |
| 65 - 69      | 3.5                  |
| 70 - 74      | 3.3                  |
| 75 and Older | 0.0                  |

#### Prescription Drugs

| Age          | Annual Increase<br>% |
|--------------|----------------------|
| To 54        | 5.0                  |
| 55 - 74      | 1.0                  |
| 75           | 0.0                  |
| 76           | -1.0                 |
| 77           | -2.0                 |
| 78 - 84      | -3.0                 |
| 85 and Older | -2.0                 |



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## ***Methods and Assumptions (continued)***

### **Initial Baseline Costs (2008/09 Fiscal Year)**

See Page 23.

### **Annual Baseline Retiree Contributions (2008/09 Fiscal Year)**

See Pages 24 and 25.

### **Valuation Methodology and Terminology**

The post-retirement healthcare benefit obligations were developed within the parameters prescribed by the GASB Statement.

### **Amortization Period**

The period used to determine amortization costs for the Unfunded Actuarial Accrued Liability is a period of 30 years.

### **Life Insurance Coverage**

All participants are assumed to have life insurance coverage upon retirement.



## Methods and Assumptions (continued)

### Initial Baseline Cost (2008/09 Fiscal Year)

| Age | UnitedHealthcare<br>HMO<br>\$ | Kaiser<br>\$ | CareFirst<br>Indemnity<br>\$ | CareFirst<br>POS<br>\$ | Future<br>Retirees'<br>Medical <sup>1*</sup><br>\$ | Dental<br>\$ | Prescription<br>Drugs<br>\$ |
|-----|-------------------------------|--------------|------------------------------|------------------------|--|--------------|-----------------------------|
| 40  | 2,905                         | 4,719        | 4,534                        | 3,382                  | 3,372  | 495          | 1,242                       |
| 45  | 3,586                         | 5,826        | 5,598                        | 4,175                  | 4,162  | 495          | 1,585                       |
| 50  | 4,124                         | 6,700        | 6,437                        | 4,802                  | 4,787  | 495          | 2,023                       |
| 55  | 4,698                         | 7,632        | 7,333                        | 5,470                  | 5,453  | 495          | 2,582                       |
| 60  | 5,702                         | 9,264        | 8,900                        | 6,639                  | 6,619  | 495          | 2,714                       |
| 65  | 2,270                         | 3,031        | 2,911                        | 2,171                  | 2,242  | 495          | 2,852                       |
| 70  | 2,751                         | 3,672        | 3,527                        | 2,630                  | 2,716  | 495          | 2,998                       |
| 75  | 3,231                         | 4,313        | 4,142                        | 3,090                  | 3,191  | 495          | 3,151                       |

**NOTE:** Prescription drugs are included in the claims shown for the Kaiser and Indemnity plans. Members in these plans cannot make a separate prescription drug election.

The above claims were developed using paid claims and membership data for the period July 1, 2007 to June 30, 2008, received from the County's Health Plan vendors. Claims were trended from the mid-point of the payment period to the mid-point of the Valuation year, and were then age adjusted based on the morbidity factors shown on Page 20.

<sup>1</sup> Weighted average reflecting Health Plan elections of current retirees.



## ***Methods and Assumptions (continued)***

### **Average Annual Baseline Retiree Contributions (2008/09 Fiscal Year)**

#### ***Current Retirees***

For current retirees, we applied individual cost-sharing percentages to the following total premium rates<sup>1</sup>:

|         | UnitedHealthcare<br>HMO<br>\$ | Kaiser<br>\$ | CareFirst<br>Indemnity<br>\$ | CareFirst<br>POS<br>\$ | Prescription<br>Drugs<br>\$ | Dental<br>\$ |
|---------|-------------------------------|--------------|------------------------------|------------------------|-----------------------------|--------------|
| Pre-65  | 3,836                         | 4,795        | 7,895                        | 4,247                  | 1,718                       | 495          |
| Post-65 | 3,374                         | 3,528        | 4,076                        | 2,317                  | 2,129                       | 495          |

<sup>1</sup> These are January 1, 2009 rates, adjusted with trend to the Valuation Date.



## ***Methods and Assumptions (continued)***

### **Average Annual Baseline Retiree Contributions (2008/09 Fiscal Year) (continued)**

#### ***Future Retirees***

Future retirees will pay the following service-based cost-sharing percentages of the rates below (see note below for retirees hired before January 1, 1987):

| Service at Retirement                        | Retiree Contribution % |
|--|------------------------|
| 5 Years                                      | 50                     |
| 6 Years                                      | 48                     |
| 7 Years                                      | 46                     |
| 8 Years                                      | 44                     |
| 9 Years                                      | 42                     |
| 10 Years                                     | 40                     |
| 11 Years                                     | 38                     |
| 12 Years                                     | 36                     |
| 13 Years                                     | 34                     |
| 14 Years                                     | 32                     |
| 15 Years and Over                            | 30                     |
| Or if Hired Prior to 01/01/1987 <sup>1</sup> | 20                     |

|        | Medical \$ | Prescription Drugs \$ | Dental \$ |
|--------|------------|-----------------------|-----------|
| Pre-65 | 4,200      | 1,718                 | 495       |
| 65 +   | 2,589      | 2,129                 | 495       |

<sup>1</sup> Retirees hired prior to January 1, 1987 pay 20% for the period of time equal to the number of years of their eligibility under the group insurance plan beginning from their Retirement Date. At the time of retirement, retirees may elect the cost sharing arrangement available to employees hired after December 31, 1986



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## ***Summary of Plan Provisions***

|   |   |
|---|---|
| Plan  | CareFirst Blue Cross–Blue Shield POS, CareFirst Blue Cross–Blue Shield Indemnity (closed to new members), Kaiser HMO, United Healthcare HMO, Caremark Prescription Drug, UCCI Dental PPO, and NVA Vision Plans (see the following pages for plan designs).  |
| Eligibility   | <p>County employees are eligible to continue each group insurance coverage after retirement provided that:</p> <ul style="list-style-type: none"><li>(a) Employees in the Montgomery County Employees' Retirement System retire directly from County service.</li><li>(b) Employees in the Montgomery County Retirement Savings Plan meet certain age service requirements.</li></ul>   |
| Coverage of Spouse and Dependent After Death of Retiree | The surviving spouses and dependent children who are covered under any of the County sponsored health plans have the right to continue coverage upon the death of the County employee/retiree.  |
| Life Insurance Benefits -                               | When an employee retires, the basic life insurance amount (equal to annual base pay before retirement) will be reduced on the first day of retirement by 15%. On each of the next four anniversaries of retirement, the insurance amount will be further reduced by that same dollar amount. However, the insurance amount will never be less than 25% of annual base pay immediately prior to retirement, nor less than \$5,000. |



## Plan Provisions (continued)

| Health Plan                 | Kaiser Permanente       | United Healthcare Select  | CareFirst Blue Cross Blue Shield  |   |  |
|-----------------------------|-------------------------|---------------------------|---|---|--|
|                             |                         |                           | POS High and Standard Option Plans  | POS High and Standard Option Plans  | Indemnity Plan   |
|                             |                         |                           | In Service Area   | Out of Area   | (closed to new members)  |
| <b>Allergy Testing</b>      | \$5 copay.              | \$10 copay.               | <b>High Option</b> - In network: covered in full; Out-of-network: 80% after deductible.<br><b>Standard Option</b> - Same as High Option.                                    | <b>High Option</b> - In network: covered in full; Out-of-network: 80% after deductible.<br><b>Standard Option</b> - Same as High Option.                                    | 80% after deductible.  |
| <b>Deductible</b>           | Copay where applicable. | Copay where applicable.   | <b>High Option</b> - In network: none; Out-of-network: \$300 individual; \$600 family.<br><b>Option</b> - Same as High Option   | <b>High Option</b> - In network: none; Out-of-network: \$250 individual; \$500 family.<br><b>Option</b> - Same as High Option   | \$200 individual deductible; \$400 family deductible.  |
| <b>Diagnostic/Lab/X-Ray</b> | Covered in full.        | Applicable copay applies. | <b>High Option</b> - In network: covered in full; Out-of-network: 80% after deductible.<br><b>Option</b> - Same as High Option.   | <b>High Option</b> - In network: covered in full; Out-of-network: 80% after deductible.<br><b>Option</b> - Same as High Option.   | 100% up to \$500 for services related to an illness in a calendar year (there is a separate limit of \$500 for services related to an accident in a calendar year); 80% for services in excess of the \$500 limit for either an illness or an accident in a calendar year. |
| <b>Dr. Office Visits</b>    | \$5 copay.              | \$5 copay.                | <b>High Option</b> - In network: \$10 copay; Out-of-network: 80% after deductible.<br><b>Standard Option</b> - In network: \$15 copay; Out-of-network: same as High Option. | <b>High Option</b> - In network: \$10 copay; Out-of-network: 80% after deductible.<br><b>Standard Option</b> - In network: \$15 copay; Out-of-network: same as High Option. | 80% after deductible.  |



## Plan Provisions (continued)

| Health Plan                      | Kaiser Permanente                                       | United Healthcare Select  | CareFirst Blue Cross Blue Shield   |  |   |
|----------------------------------|---|---|--|--|---|
|                                  |   |   | POS High and Standard Option Plans   | POS High and Standard Option Plans   | Indemnity Plan (closed to new members)  |
|                                  |   |   | In Service Area  | Out of Area  |   |
| <b>Emergency Room</b>            | \$50 copay – waived if admitted to hospital.            | \$25 copay (plan definition of emergency must be met) – waived if admitted to hospital; \$15 copay for Urgent Care Centers. | <b>High Option</b> - In network: \$25 copay waived if admitted to hospital; Out-of-network: 80% after deductible.<br><b>Option</b> – In network: \$35 copay waived if admitted to hospital; Out-of-network: same as High Option. | <b>High Option</b> - In network: \$50 copay, waived if admitted; Out-of-network: 80% after deductible.<br><b>Standard Option</b> – Same as High Option.  | Covered in full if life-threatening or accidental injury; 80% after deductible for illness. |
| <b>Hearing Screening</b>         | \$5 copay for hearing exam (hearing aids are excluded). | \$5 copay Primary Care Physician; \$10 copay Specialist.  | <b>High Option</b> - In network: childhood hearing screening covered in full; Out-of-network: childhood hearing screening, 80% not subject to deductible.<br><b>Standard Option</b> – Same as High Option.                       | <b>High Option</b> - In network: childhood hearing screening covered in full; Out-of-network: childhood hearing screening, 80% not subject to deductible.<br><b>Standard Option</b> – Same as High Option. | Not covered.  |
| <b>Home Health Care Services</b> | Covered in full if medically necessary.                 | Covered in full if medically necessary; \$5 copay/PCP visits; \$10 specialist/visit.  | <b>High Option</b> - In network: covered in full (90 visits max/calendar year); Out-of-network: 80% after deductible (90 visits max/calendar year).<br><b>Standard Option</b> – Same as High Option.                             | <b>High Option</b> - In network: covered in full (40 visits per calendar year); Out-of-network: 80% after deductible (40 visits per calendar year).<br><b>Standard Option</b> – Same as High Option.       | Covered in full; 40 visits maximum/calendar year.   |
| <b>Hospice</b>                   | Covered in full.  | Covered in full.  | <b>High Option</b> - In network: covered in full; Out-of-network: 80% after deductible.<br><b>Standard Option</b> – Same as High Option.   | <b>High Option</b> - In network: covered in full; Out-of-network: 80% after deductible.<br><b>Standard Option</b> – Same as High Option.   | Covered in full; \$5,000 maximum.   |





## Plan Provisions (continued)

| Health Plan<br><br>(Assumes<br>Primary<br>Coverage) | Kaiser Permanente   | United Healthcare<br>Select                              | CareFirst Blue Cross Blue Shield  |   |  |
|---|---|--|---|---|--|
|   |   |  | POS High and Standard Option<br>Plans   | POS High and Standard Option<br>Plans   | Indemnity Plan<br>(closed to new<br>members)   |
|   |   |  | In Service Area   | Out of Area   |  |
| <b>Hospital</b>                                     | Covered in full.  | Covered in full.   | <b>High Option</b> - In network: covered in full; Out-of-network: 80% after deductible.<br><br><b>Standard Option</b> - In network: covered in full after \$150 copay per admission; Out-of-network: same as High Option. | <b>High Option</b> - In network: covered in full; Out-of-network: 80% after deductible.<br><br><b>Standard Option</b> - In network: covered in full after \$150 copay per admission; Out-of-network: same as High Option. | Covered in full; 180 day maximum per confinement.  |
| <b>Immunizations</b>                                | \$5 copay. Included in well child care visits up to age 5 at no charge.                     | \$5 copay Primary Care Physician; \$10 copay Specialist. | <b>High Option</b> - In network: covered in full; Out-of-network: 80% after deductible.<br><br><b>Standard Option</b> - Same as High Option.  | <b>High Option</b> - In network: covered in full when billed with office visit; Out-of-network: 80% after deductible.<br><br><b>Standard Option</b> - Same as High Option.  | Maximum \$15 per immunization (\$45 per calendar year maximum per member); balance paid at 80% after deductible.               |
| <b>Mammography - Preventive Screening Schedule</b>  | Schedule consistent with the current recommendations of the American College of Physicians. | Age 40+: One mammogram per calendar year.                | <b>High Option</b> - Covered in full. Age 35-39: one baseline mammogram; Age 40-49: One mammogram every two calendar years; Age 50+ One mammogram per calendar year.<br><br><b>Standard Option</b> - Same as High Option  | <b>High Option</b> - Covered in full. Age 35-39: one baseline mammogram; Age 40-49: One mammogram every two calendar years; Age 50+ One mammogram per calendar year.<br><br><b>Standard Option</b> - Same as High Option  | Age 35-39: one baseline mammogram; Age 40-49: One mammogram every two calendar years; Age 50+ One mammogram per calendar year. |



## Plan Provisions (continued)

| Health Plan<br><br>(Assumes<br>Primary<br>Coverage) | Kaiser Permanente                            | United Healthcare<br>Select  | CareFirst Blue Cross Blue Shield  |  |  |
|---|--|--|---|--|--|
|   |  |  | POS High and Standard Option<br>Plans   | POS High and Standard Option<br>Plans  | Indemnity Plan<br>(closed to new<br>members)   |
|   |  |  | In Service Area   | Out of Area  |  |
| <b>Maternity</b>                                    | Covered in full once pregnancy is diagnosed. | No copayment applies after the first visit.                        | <b>High Option</b> - In network: first visit 100% after \$10 copay; other visits 100%; Out-of-network: 80% after deductible.<br><br><b>Standard Option</b> - In network: first visit 100% after \$30 copay; other visits 100%; Out-of-network: same as High Option. | <b>High Option</b> - In network: covered in full; Out-of-network: 80% after deductible.<br><br><b>Standard Option</b> - In network: first visit 100% after \$30 copay; other visits 100%; Out-of-network - Same as High Option.  | 100% up to amount allowed by plan.   |
| <b>Maximum Lifetime Benefit</b>                     | Unlimited Maximum.                           | Unlimited Maximum.   | <b>High Option</b> - Unlimited Maximum.<br><br><b>Standard Option</b> - Same as High Option   | <b>High Option</b> - Individual \$2,000,000.<br><br><b>Standard Option</b> - Same as High Option   | Individual: \$1,000,000 for major medical services.  |
| <b>Out-of-Pocket Annual Maximum</b>                 | N/A  | Individual: \$1,100; Individual plus one: \$2,200; Family: \$3,600 | <b>High Option</b> - Per Individual: \$1,000 plus the annual deductible.<br><br><b>Standard Option</b> - Same as High Option  | <b>High Option</b> - In network: Individual: \$1,000 plus the annual deductible; Family: \$2,000 plus the annual deductible; Out-of-network: Individual: \$2,000 plus the annual deductible; Family: \$4,000 plus the annual deductible.<br><br><b>Standard Option</b> - Same as High Option | Individual: \$1,000 plus the annual deductible; Family: \$2,000 plus the annual deductible |



## Plan Provisions (continued)

| Health Plan<br><br>(Assumes<br>Primary<br>Coverage) | Kaiser Permanente   | United Healthcare<br>Select   | CareFirst Blue Cross Blue Shield   |   |  |
|---|---|---|--|---|--|
|   |   |   | POS High and Standard Option<br>Plans  | POS High and Standard Option<br>Plans   | Indemnity Plan<br>(closed to new<br>members)   |
|   |   |   | In Service Area  | Out of Area   |  |
| <b>Physical</b>                                     | \$5 copay.  | \$5 copay Primary Care Physician; \$10 copay Specialist.                                | <b>High Option</b> - In network: \$10 copay; Out-of-network: 80% after deductible (limit 1/calendar year).<br><b>Option</b> - In network: \$15 copay Primary Care Physician; \$30 copay Specialist; Out-of-network: same as High Option. | <b>High Option</b> - In network: \$10 copay; Out-of-network: 80% after deductible (limit 1/calendar year).<br><b>Standard Option</b> - In network: \$15 copay Primary Care Physician; \$30 copay Specialist; Out-of-network: same as High Option. | Up to \$75/exam every 2 years - employee and spouse only; balance is paid at 80% after deductible. |
| <b>Prescriptions</b>                                | <b>Kaiser Prescription Plan (included with Kaiser HMO Medical Plan):</b> \$5 at on-site pharmacies and for mail order; \$15 at participating community pharmacies.  | <b>No Prescription Plan included; diabetic supplies covered under a pharmacy rider.</b> | <b>High and Standard Option – No Prescription Plan included; diabetic supplies covered under a pharmacy rider.</b>   | <b>High and Standard Option – No Prescription Plan included; diabetic supplies covered under a pharmacy rider.</b>  | 80% after deductible. Prescription discount program included with mail order feature.              |
| <b>Rehabilitation Services</b>                      | Inpatient: Covered in full (Unlimited). Outpatient: \$5 copay; outpatient services for physical therapy are limited to up to 30 visits; occupational and speech therapy per injury, incident or condition are covered for a period not to exceed 90 days. | \$10 copay/visit. 60 combined visits per year (short-term non-chronic conditions only). | <b>High Option</b> - In network: 100%; Out-of-network: 80% after deductible.<br><b>Standard Option</b> – Same as High Option.  | <b>High Option</b> - In network: covered in full; Out-of-network: 80% after deductible.<br><b>Standard Option</b> – Same as High Option.  | 80% after deductible.  |



## Plan Provisions (continued)

| Health Plan<br><br>(Assumes<br>Primary<br>Coverage) | Kaiser Permanente   | United Healthcare<br>Select   | CareFirst Blue Cross Blue Shield  |   |  |
|---|---|---|---|---|--|
|   |   |   | POS High and Standard Option<br>Plans   | POS High and Standard Option<br>Plans   | Indemnity Plan<br>(closed to new<br>members)   |
|   |   |   | In Service Area   | Out of Area   |  |
| <b>Skilled Nursing<br/>Facility</b>                 | Covered in full; 100<br>days maximum.   | Covered in full 60 days<br>maximum.   | <b>High Option</b> - In network: covered in<br>full (100 days max/calendar year);<br>Out-of-network: 80% after deductible<br>(100 days max/calendar year).<br><br><b>Standard Option</b> - Same as High<br>Option.  | <b>High Option</b> - In network: covered in<br>full (60 days max/calendar year);<br>Out-of-network: 80% after deductible<br>(60 days max/calendar year).<br><br><b>Standard Option</b> - Same as High<br>Option.  | \$30/day, up to 360<br>days per calendar<br>year; \$10,800<br>calendar<br>year<br>maximum.                   |
| <b>Specialists</b>                                  | \$5 copay.  | \$10 copay.   | <b>High Option</b> - In network: \$10<br>copay; Out-of-network: 80% after<br>deductible.<br><br><b>Standard Option</b> - In network: \$30<br>copay; Out-of-network: same as High<br>Option.   | <b>High Option</b> - In network: \$10<br>copay; Out-of-network: 80% after<br>deductible.<br><br><b>Standard Option</b> - In network: \$30<br>copay; Out-of-network: same as High<br>Option.   | 80% after deductible.  |
| <b>Substance<br/>Abuse/Mental Health</b>            | Inpatient: Covered in<br>full; Outpatient/<br>individual visits: \$20<br>copay per visit; group<br>visits: \$10 copay per<br>visit. | Inpatient: Covered in full;<br>Outpatient visits: 1-5 20%<br>copay; 6-30 35% copay;<br>31+ 50% copay. | <b>High Option</b> - In network: Inpatient-<br>covered in full; Outpatient- visits 1-5<br>100%; 70% thereafter; Out-of-<br>network: Inpatient- 80% after<br>deductible; Outpatient- 80% first 5<br>visits; 65% next 25 visits; 50% each<br>thereafter (all outpatient visits subject<br>to deductible).<br><br><b>Standard Option</b> - Same as High<br>Option. | <b>High Option</b> - In network: Inpatient -<br>covered in full; Outpatient- visits 1-5<br>100%; visits 6-30 80%; 31+ 50%;<br>Out-of-network: Inpatient- 80% after<br>deductible; Outpatient- visits 1-5<br>80%; visits 6-30 65%; visits 31+ 50%<br>(all outpatient visits subject to<br>deductible).<br><br><b>Standard Option</b> - Same as High<br>Option. | Inpatient- 100% to<br>180 days (lifetime<br>maximum does not<br>apply); Outpatient-<br>80% after deductible. |



## Plan Provisions (continued)

| Health Plan<br><br>(Assumes<br>Primary<br>Coverage) | Kaiser Permanente  | United Healthcare<br>Select  | CareFirst Blue Cross Blue Shield  |  |  |
|---|--|--|---|--|--|
|   |  |  | POS High and Standard Option<br>Plans   | POS High and Standard Option<br>Plans  | Indemnity Plan<br>(closed to new<br>members)                                   |
|   |  |  | In Service Area   | Out of Area  |  |
| <b>Surgery</b>                                      | Covered in full.   | Inpatient: covered in full;<br>Outpatient: \$25 copay.                   | <b>High Option</b> - In network: covered in full; Out-of-network: 80% after deductible.<br><br><b>Standard Option</b> - Same as High Option.  | <b>High Option</b> - In network: covered in full; Out-of-network: 80% after deductible.<br><br><b>Standard Option</b> - Same as High Option.   | 100% up to amount allowed by plan.   |
| <b>Vision (Routine)</b>                             | \$5 copay for exams; 25% discount on lenses/frames at Kaiser centers; 15% discount off the cost of contact lenses. | \$25 copay/exam; 15%-20% discount through participating optical centers. | <b>High Option</b> - In network: refraction not covered; (pediatric visual screening - covered in full under well child care). Out-of-network: refraction not covered (pediatric visual screening - 80% not subject to deductible under well child care).<br><br><b>Standard Option</b> - Same as High Option | <b>High Option</b> - In network: refraction not covered (pediatric visual screening - covered in full under well child care); Out-of-network: refraction not covered (pediatric visual screening - 80% not subject to deductible under well child care).<br><br><b>Standard Option</b> - Same as High Option | None.  |
| <b>Well Child Care</b>                              | Well baby/well child covered in full up to age 5.  | \$5 copay Primary Care Physician; \$10 copay Specialist.                 | <b>High Option</b> - In network: \$10 copay; Out-of-network: 80% not subject to deductible (up to age 18).<br><br><b>Standard Option</b> - In network: \$15 copay; Out-of-network: same as High Option.   | <b>High Option</b> - In network: \$10 copay; Out-of-network: 80% not subject to deductible (up to age 18).<br><br><b>Standard Option</b> - In network: \$15 copay; Out-of-network: same as High Option.  | 100% for child wellness (including related lab tests and X-rays) up to age 18. |



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## ***Plan Provisions (continued)***

### **PRESCRIPTION DRUGS**

There are two Caremark prescription drug plan options for retirees who are not in the CareFirst Indemnity plan or the Kaiser HMO Plan:

#### **High Option Prescription Plan**

For prescriptions purchased through the retail program at a participating pharmacy for up to a 34 day supply, or through the mail service program for up to a 102 day supply, the following copayments apply from January 1, 2009: \$5 for generic and \$10 for brand name prescriptions (copays were \$4 and \$8 before 2009).

#### **Standard Option Prescription Plan**

For prescriptions purchased through the retail program at a participating pharmacy for up to a 34 day supply, or through the mail service program for up to a 102 day supply, there is a \$10 copayment for generic prescriptions, a \$20 copayment for preferred brand or "formulary" prescriptions and a \$35 copayment for brand name prescriptions, for up to a 34 day supply. There is a \$50 annual deductible which must be satisfied before benefits are received under the Standard Option plan.

#### **Prescription Plan Changes with effect from January 1, 2009**

Starting January 1, 2009, the County will begin phasing-out its subsidy towards the High Option Prescription Plan over a 3-year period. At the end of the three years, retirees who elect the High Option plan will receive a County subsidy based on the cost of the Standard Option plan, and will pay 100% of the difference between the cost of the Standard Option and High Option plans.



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## ***Plan Provisions (continued)***

### **DENTAL**

The Traditional Dental Plan (Dental PPO) provides payment for the following covered services, subject to the plan maximums and limitations:

- Class I Services - Diagnostic and Preventive; Payable at 100% of reasonable and customary charges (no more than two in any calendar year).
- Class II Services - Basic Restorative, Endodontics, Periodontics, Maintenance of Prosthodontics and Oral Surgery; Payable at 80% of reasonable and customary charges.
- Class III Services - Major Restorative, Installation of Prosthodontics; Payable at 60% of reasonable and customary charges.
- Class IV Services - Orthodontics; Payable at 60% of reasonable and customary charges.

The maximum benefit, excluding Class IV Services, is \$2,000 per person each year. The lifetime maximum for Class IV Services (orthodontics) is \$1,000 per person.

The annual deductible is \$50 per person, or \$150 for family. The deductible does not apply to Class I Services.